

**ASSEMBLY BILL**

**No. 1456**

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**Introduced by Assembly Member Jones-Sawyer**

January 9, 2014

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An act relating to higher education.

LEGISLATIVE COUNSEL'S DIGEST

AB 1456, as introduced, Jones-Sawyer. Higher education: tuition and fees: pilot program.

Existing law provides for a public postsecondary education system in this state. This system consists of the University of California, the California State University, and the California Community Colleges. Existing law authorizes these institutions to require that mandatory systemwide fees and tuition, among other fees, be paid by students at these institutions.

Existing law establishes the Student Aid Commission as the primary state agency for the administration of state-authorized student financial aid programs available to students attending all segments of postsecondary education.

This bill would require the Student Aid Commission, the Trustees of the California State University, and the Board of Governors of the California Community Colleges, and would request the Regents of the University of California, to jointly conduct a study of the effects of enacting, in future legislation, a Pay it Forward, Pay it Back Pilot Program. The bill would specify that the pilot program would be designed to replace the current system of charging students upfront tuition and fees, including for room and board, for enrollment at public institutions of higher education, and instead allow certain students to sign a binding contract to, upon graduation, pay a specified percentage

of their annual adjusted gross incomes to the state or the institution for a specified number of years, as provided. This bill would further specify that the pilot program could vary by institution, as specified.

This bill would require the study to, among other things, identify at least one campus of one or more of the public segments of higher education to participate in the pilot program and establish an immediate source of funding for the first 15 to 20 years, inclusive, of the pilot program, as provided. The bill would require that the study be presented for consideration by the Legislature, and would require the Student Aid Commission to submit a report on the study to the Assembly Committee on Higher Education and the Senate Committee on Education on or before September 30, 2015.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) The Legislature recognizes that postsecondary education
- 4 has expanded opportunities for Californians to qualify for
- 5 high-quality jobs and entry into the middle class, providing clear
- 6 benefits to this state's economy.
- 7 (b) In response to decreased state support, costs at the University
- 8 of California (UC) and the California State University (CSU) have
- 9 grown significantly over the past decade. In 2000, the total cost
- 10 of a year of education at UC was \$15,000. By 2013, this figure
- 11 had more than doubled to \$32,400. Costs at CSU are lower, but
- 12 still increased by nearly 70 percent in this period. These increases
- 13 far outpace inflation.
- 14 (c) Tuition at California's public institutions of higher education
- 15 has been rising far more rapidly than family incomes. In 2000, the
- 16 cost of attendance for a UC student living on campus was 25
- 17 percent of California median family income. In 2009, this cost had
- 18 grown to 39 percent of median family income. Costs at CSU also
- 19 grew relative to incomes, going from 19 percent of median family
- 20 income in 2000 to 29 percent of median family income in 2009.
- 21 (d) The increasing unaffordability of a college education has
- 22 forced students to borrow more money to pay for higher education,
- 23 causing 51 percent of students graduating from four-year

1 institutions of higher education in California to borrow an average  
2 of \$18,879.

3 (e) In the 1970s, the General Fund provided \$12 for every dollar  
4 that students paid in fees; by 2009, this amount had fallen to \$1.40  
5 for every dollar in student fees.

6 (f) High levels of student debt are damaging not only to the  
7 individual student's ability to succeed financially but also will  
8 have grave consequences for the future economy of this state.

9 (g) As of spring 2011, only 77.9 percent of UC students and  
10 51.4 percent of CSU students entering as freshmen had graduated  
11 within six years. For transfer students, only 79.6 percent of UC  
12 students and 64.6 percent of CSU students had graduated within  
13 four years.

14 (h) By 2025, California is projected to have a shortage of 2.3  
15 million college graduates in the state's workforce if the number  
16 of young and older adults who go to college and complete a higher  
17 education is not significantly increased.

18 (i) The Legislature finds that it must halt the decrease in this  
19 state's support for public education and, over time, must increase  
20 its contribution to the funding of higher education.

21 (j) The Legislature finds that it must immediately seek another  
22 approach to financing the students' share of the cost of public  
23 higher education in this state that will not result in students  
24 graduating from California public colleges and universities  
25 burdened with debt.

26 (k) There is growing interest in a new financing strategy.

27 (l) The Legislature recognizes that it is in this state's interest to  
28 study and recommend a potential pilot program.

29 SEC. 2. (a) The Student Aid Commission, the Trustees of the  
30 California State University, and the Board of Governors of the  
31 California Community Colleges shall, and the Regents of the  
32 University of California are requested to, jointly conduct a study  
33 of the effects of enacting, in future legislation, a Pay it Forward,  
34 Pay it Back Pilot Program. The pilot program would be designed  
35 to replace the current system of charging students upfront tuition  
36 and fees, including for room and board, for enrollment at public  
37 institutions of higher education.

38 (b) The pilot program would do both of the following:

39 (1) Allow a student who is a state resident, as determined by  
40 the respective institution, and who otherwise qualifies for

1 admission to that institution, to enroll at the institution without  
2 paying upfront tuition or fees.

3 (2) Provide that, in lieu of paying upfront tuition or fees, a  
4 student may sign a binding contract to, upon graduation, pay a  
5 specified percentage of his or her annual adjusted gross income to  
6 the state or the institution for a specified number of years.

7 (c) The pilot program could vary by institution, in regard to  
8 each of the following:

9 (1) The total cost of attendance at the institution required to be  
10 reimbursed.

11 (2) The portion of the total cost of attendance to be paid by the  
12 state.

13 (3) The number of years that a student shall be required to make  
14 payments, as specified in the contract.

15 (4) The percentage of annual adjusted gross income required to  
16 be paid by a student, as specified in the contract.

17 (d) The study of the pilot program shall do all of the following:

18 (1) Identify at least one campus of one or more of the public  
19 segments of higher education to participate in the pilot program.

20 (2) Based on current research, and projections of state subsidies,  
21 specify the number of years and percentage of annual adjusted  
22 gross income for a contract at each participating institution that  
23 would reimburse the nonstate cost of a student's attendance.

24 (3) (A) Establish an immediate source of funding for the first  
25 15 to 20 years, inclusive, of the pilot program, which would include  
26 the establishment of a revolving fund for the deposit of payments  
27 made under the pilot program, and consider the possibility of using  
28 social impact bonds as an immediate funding source.

29 (B) For the purposes of this paragraph, the term "social impact  
30 bond" means an agreement between a nongovernmental entity and  
31 a public institution of higher education under which a student's  
32 cost of attendance is paid for by the nongovernmental entity in  
33 exchange for a security interest in the payments made by the  
34 student pursuant to paragraph (2) of subdivision (b).

35 (e) (1) The study of the pilot program shall be presented for  
36 consideration by the Legislature.

37 (2) The Student Aid Commission shall submit a report on the  
38 study of the pilot program to the Assembly Committee on Higher  
39 Education and the Senate Committee on Education on or before  
40 September 30, 2015.

1     SEC. 3. Section 2 of this act shall become inoperative on June  
2     30, 2016, and, as of January 1, 2017, is repealed, unless a later  
3     enacted statute, that becomes operative on or before January 1,  
4     2017, deletes or extends the dates on which it becomes inoperative  
5     and is repealed.

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